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Report of the London Group on Environmental Accounting

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its thirty-second session,** the Secretary-General has the honour to transmit to the Commission the report of the London Group on Environmental Accounting. The Commission may wish to review the work programme of the London Group.

* E/CN.3/2002/1.

** See *Official Records of the Economic and Social Council, 2001, Supplement No. 4* (E/2001/24), chap. I, sect. A.

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Report of the London Group on Environmental Accounting

I. Introduction

1. In 1993, the United Nations Statistics Division issued *Integrated Environmental and Economic Accounting* (SEEA) (the acronym is based on an earlier title) as an interim handbook. In 1997, the Statistical Commission requested the London Group on Environmental Accounting to undertake a revision of SEEA. The present report provides the Commission with an update on progress made during the past 12 months.

II. Management of the revision process

2. The SEEA revision process is managed by a team comprising the London Group Coordinating Committee,[1] the individual coordinators for each chapter and the SEEA Editor, Anne Harrison.

3. The international agencies that are expected jointly to publish SEEA 2000 are the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the United Nations and the World Bank.

4. At its thirty-second session, in March 2001, the Commission established a "Friends of the Chair" group to review the final London Group version of the draft SEEA 2000 and make recommendations regarding its approval at the thirty-third session of the Commission, in 2002. Statistics Norway will direct the Friends of the Chair. The other members are Brazil, Canada, Ethiopia, Indonesia, the Netherlands, the Republic of Korea and the United States. The terms of reference for the Friends of the Chair are contained in the annex.

III. Outcome of the Group meeting held in May 2001

5. The Group met in extended plenary[2] in May 2001 in Voorburg, the Netherlands. The meeting was hosted and chaired by Statistics Netherlands, its sole objective being to discuss the draft SEEA 2000 and recommend the final changes necessary before the handbook could be reviewed by the Friends of the Chair. The meeting was very productive, and a detailed report of the resulting recommendations was prepared by Statistics Netherlands (the report is before the Commission as a background document).

6. It was agreed at the meeting to aim for completion of the final London Group version of the draft SEEA 2000 for review by the Friends of the Chair by 31 July 2001.

IV. Progress during 2001

7. Editing of the draft SEEA 2000 continued throughout 2001, although slower progress was made than had been hoped for. Despite the best efforts of the Editor and many individual members of the London Group, a variety of factors prevented the completion of the final version by the 31 July deadline. Editorial efforts continued and penultimate versions of all but one chapter were completed by year's end; these were circulated to all members of the Group for comment.

8. Based on those comments, the final London Group version of the draft SEEA 2000 was due to be completed by early January 2002.

V. Future of the Group

9. Following the revision of SEEA, the Group will continue its regular work programme of sharing country experience and furthering the methodological development of environmental accounts. It is recognized that despite the considerable progress made in the area of environmental accounting over the last 10 years, much methodological and practical work remains.

10. The work programme of the Group for the next two years has not yet been fully established. The need for additional methodological work in the area of water accounting is recognized as a priority, as is the clearer identification of the needs of those who are the users of environmental accounts. The Group has also discussed the need to focus on the practical questions surrounding the implementation of environmental accounts. The possibility of producing implementation manuals has been raised as a response to that need.

11. The Group will meet at least once during the next two years, possibly twice; the dates and venue of the next meeting are under discussion.

Notes

[1] The London Group Coordinating Committee comprises representatives of the United Nations Statistics Division, the World Bank, OECD, Eurostat, the Australian Bureau of Statistics, Statistics Netherlands (immediate past meeting hosts) and Statistics Canada (secretariat).

[2] In addition to the regular London Group participants, the following countries were invited to represent the interests of the developing world: Botswana, Chile, China, Indonesia, Mexico, Mongolia, the Republic of Korea and Zimbabwe.

Annex

Terms of reference of the Friends of the Chair

1. Evaluation criteria

It is essential that we as the Friends of the Chair agree upon the criteria against which the SEEA manual should be evaluated. To that end, the following criteria are suggested:

(a) *Treatment of controversial issues*: during the course of development of SEEA 2000, several issues arose on which consensus was not reached. The London Group agreed that all perspectives on those issues should be given fair and balanced treatment in the manual. It is up to the Friends of the Chair to decide whether that balanced treatment has been achieved in the manual. Where that is not the case, the Friends of the Chair must recommend the action needed to achieve the appropriate balance. Depending on the case, that will mean adding new material or eliminating/redrafting existing material. In that process, we must be cautious not to disrupt any balancing that the Editor might have engineered in order to gain the approval of various parties with strongly held views. At the same time, we must be careful not to approve material that represents a viewpoint with a very narrow base of support if consensus has been reached by the rest of the world from an opposing viewpoint;

(b) *Coherence*: there are a number of aspects of coherence that the Friends of the Chair should consider, including coherence of editorial style, of arguments, of terminology, of numerical examples and, most importantly, of the suggested accounting structure;

(c) *Completeness*: the Friends of the Chair should review the completeness of the manual from the following perspectives: completeness of the accounting structure, of suggested applications, of arguments and of numerical examples;

(d) *Soundness*: the Friends of the Chair should review the soundness of the accounting structure, of the proposed methods for its implementation and of linkages with other accounting systems, particularly the *System of National Accounts, 1993*;

(e) *Readability*: the Friends of the Chair should review the readability of the manual, particularly in the light of the need to make it accessible to a wide audience of both environmental and economic statisticians in many countries;

(f) *Applicability*: the Friends of the Chair should review the proposed accounting structure from the point of view of its applicability, especially in the light of the need for it to be useful to countries with limited statistical resources;

(g) *Overall acceptability*: the Friends of the Chair should comment on the overall acceptability of SEEA 2000. It should note those areas where the manual could be strengthened and recommend whether strengthening should take place before publication or whether it can wait until the next revision of the manual in some years' time;

(h) *Costs*: in their comments, the Friends of the Chair should not only identify problems but also suggest solutions and estimate the time needed to implement them.

All of the above-mentioned criteria should be applied with the overriding consideration that the intent is *not* to try to rewrite or reconceptualize the draft manual at this late stage. Only major issues should be flagged. The purpose is a manual that is not "perfect" but correctly reflects the current stage of knowledge (and lack of it). To that end, the main headings of the comments should be:

(a) Key problems and how they could be overcome;

(b) Detailed comments.

2. Process

It is suggested that the task of reviewing the draft manual be divided among the following two-country teams:

- Canada/Indonesia;
- Republic of Korea/United States;
- Ethiopia/Norway;
- Brazil/Netherlands.

Each team will be assigned a specific group of chapters for which it will have primary reviewing responsibility. It is left to the teams themselves to determine their own working arrangements. The suggested chapter and annex assignments are as follows:

Canada/Indonesia

Chapter 3, Physical flow accounts
Chapter 4, Hybrid flow accounts
Chapter 8, part A, Chapter overview
Chapter 8, part B, Mineral and sub-soil asset accounts
Chapter 8, part C, Water resources

Republic of Korea/United States

Chapter 7, parts D-F
Chapter 8, part E, Accounts for aquatic resources
Chapter 9, Valuing degradation
Chapter 10, Making environmental adjustments to the flow accounts

Ethiopia/Norway

Chapter 1, Introduction
Chapter 2, Overview of the accounting structure
Chapter 8, part D, Accounts for wooded land, timber and forest products
Chapter 11, Applications and policy uses

Brazil/Netherlands

Chapter 5, Economic activities and products related to the environment
Chapter 6, Other environmentally related transactions
Chapter 7, parts A-C
Chapter 8, part F, Land and ecosystems accounts

To the extent possible, the above-mentioned groupings have been selected to equitably distribute the work burden, to reflect individual countries' particular interests, and to avoid having a country comment on a chapter to which it made major substantive contributions in the work of the London Group.

Following the evaluation criteria outlined in section 1 above, each team will be responsible for preparing comments on its assigned chapters and annexes. Note that nothing prevents any given country or team from preparing comments on chapters not directly assigned to it. The intent in assigning chapters is merely to ensure that every chapter receives a thorough review by at least one team.

After they have (a) identified key problems and how they could be overcome and (b) compiled detailed comments for each chapter and annex, review teams should circulate their comments by e-mail for review by the three other teams. Each team will be expected to react to the comments prepared by the other teams and to submit further comments, if needed. Following that second round of comments, Statistics Norway will prepare an initial draft of the Friends of the Chair report. All teams will review that report and Statistics Norway will make any recommended changes. After a brief final review by the teams and any final changes, the report will be submitted by Statistics Norway to the Commission at its thirty-third session. The extremely tight deadline under which the Friends of the Chair must work means that the final report will have to be submitted as a background document, most probably in English only.

I assume that all (or most) of us will have to involve one or more members of our staff in this work. I therefore need the name and the e-mail address of at least one working-level individual from each country that will be involved in the process. The e-mail list will become the backbone of our communication process.

A schedule for the entire process is set out below.

3. Schedule

	Work element	*Deadline (2002)*
1	Finalize review process and work assignments	21 December
2	Teams prepare initial chapter and annex reviews and circulate to other teams for comments	18 January
3	Second round comments completed and submitted to Statistics Norway	18 January
4	Statistics Norway prepares first draft of Friends of the Chair report	4 February
5	Teams submit comments to Statistics Norway on first draft of Friends of the Chair report	11 February
6	Statistics Norway prepares final draft of Friends of the Chair report	15 February
7	Teams submit final comments to Statistics Norway on Friends of the Chair report	20 February
8	Statistics Norway prepares final Friends of the Chair report and sends to the United Nations	25 February
9	Statistical Commission meeting	5-8 March